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Our Ref: MARK/STO002

Mrs T Euesden
Storrington & Sullington Parish Council
The Parish Hall
Thakeham Road
Storrington
West Sussex
RH20 3PP

4th May 2022

Dear Tracey

Re: Storrington & Sullington Parish Council
Internal Audit Year Ended 31st March 2022

Executive Summary

Following completion of our interim internal audit on the 27th of September and our final audit on the 4th May we enclose our report for your kind attention and presentation to the Council. The audit was conducted in accordance with current practices and guidelines and testing was risk based. Whilst we have not tested all transactions, our samples have where appropriate covered the entire year to date. Where appropriate **recommendations for future action are shown in bold text and summarised in the tables at the end of the report.**

Our report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified, followed by recommended minimum testing requirements. Each section is then concluded with an opinion as to whether the assertion has been met or not.

Interim Audit Summary

Our sample testing did not uncover any errors or misstatements that require reporting to the external auditor, nor did we identify any significant weaknesses in the internal controls such that public money would be put at risk. It is clear the council takes governance, policies and procedures very seriously and I am pleased to report that overall, the systems and procedures you have in place are fit for purpose and whilst my report may contain recommendations to change these are not indicative of any significant failings, but rather are pointers to improving upon an already well-ordered system.

It is therefore our opinion that the systems and internal procedures at Storrington & Sullington Parish Council are well established and followed.

Final audit Summary

We have reviewed the AGAR and underlying documentation and we are of the opinion the AGAR is ready for approval by council and submission to the external auditor.

Regulation

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

Internal audit’s function is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily.

The internal audit reports should therefore be made available to all members to support and inform them when they considering the authority’s approval of the annual governance statement.

Independence & Competence

Your audit was conducted by Mark Mulberry of Mulberry & Co. We confirm we are independent from the management of the financial controls and procedures of the council and neither the internal auditor or the firm have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is a qualified practicing accountant with over 20 years’ experience as a registered statutory auditor.

Engagement Letter

An engagement letter was issued In September 2021 covering the 2021/22 internal audit assignment. Copies of this document are available on request.

Planning & Inherent Risk Assessment

The scope and plan of works including fee structure was issued to the council on the 1st September 2020 under separate cover. Copies of this document are available on request. In summary, our work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR.

- There have been no instances of breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to council
- The management team are experienced and informed
- Records are neatly maintained and referenced
- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low and the controls of the council can be relied upon and as such substantive testing of individual transactions is not required. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the council year under review.

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A. BOOKS OF ACCOUNT (INTERIM AUDIT)**Internal audit requirement**

Appropriate accounting records have been properly kept throughout the financial year.

B. FINANCIAL REGULATIONS, GOVERNANCE & PAYMENTS (INTERIM & FINAL AUDIT)**Internal audit requirement**

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for.

I have reviewed the expenditure list which is broadly similar to the prior year after accounting for one of expenditure items. I also reviewed the cashbook for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

Section Conclusion

I am of the opinion that the control assertion "This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved and VAT was appropriately accounted for", has been met.

C. RISK MANAGEMENT & INSURANCE (INTERIM AUDIT)**Internal audit requirement**

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

D. BUDGET, PRECEPT & RESERVES (INTERIM & FINAL AUDIT)**Internal audit requirement**

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

The council has £279,036 of total reserves of which earmarked reserves are £102,205 and £176,831 are general reserves. In respect of general reserves, rule of thumb calculations would suggest that 50% of precept as adjusted for local conditions would be reasonable being circa £120k.

The councils' general reserves are a little high but not excessive.

I can confirm the full council approved the 2022/23 budget and precept requirement in its December 2021 meeting.

Section Conclusion

I am of the opinion that the control objective of "The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.", has been met.

E. INCOME (INTERIM & FINAL AUDIT)**Internal audit requirement**

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

Final Audit

The precept income was tested to third part evidence supplied to the auditor and has been correctly disclosed in box two of the AGAR.

All other income has been correctly shown in box 3 of the AGAR.

I have reviewed the income list which is broadly similar to the prior year after accounting for one of income items. I also reviewed the cashbook for evidence of netting off and significant journal entries, the individual entries were in accordance with the heading under which they were posted and corrections/transfers where evident were bonafide. We found no evidence of breaches of financial regulations in the sample testing completed.

There is no evidence to suggest the council should be registered for VAT.

Section Conclusion

I am of the opinion that the control objective of "Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.", has been met.

F. PETTY CASH (INTERIM AUDIT)**Internal audit requirement**

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved and VAT appropriately accounted for.

G. PAYROLL (INTERIM & FINAL AUDIT)**Internal audit requirement**

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

Final Audit

The amounts shown on the AGAR, were reconcilable to the underlying records, there were no errors.

Section Conclusion

I am of the opinion that salaries are correctly stated on the AGAR and that the control object of "Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.", has been met.

H. ASSETS AND INVESTMENTS (INTERIM & FINAL AUDIT)**Internal audit requirement**

Asset and investments registers were complete and accurate and properly maintained.

Final Audit

The fixed asset register has been maintained in an Excel spreadsheet and agreed to the AGAR. The asset register was up to date with all relevant assets as at the current financial year end and could be agreed to the AGAR.

Section Conclusion

I am of the opinion that the control objective of "Asset and investments registers were complete and accurate and properly maintained.", has been met.

I. BANK & CASH (INTERIM & FINAL AUDIT)**Internal audit requirement**

Periodic and year-end bank account reconciliations were properly carried out.

Final Audit

At the year-end date the council had a reconciled bank position which has been signed in accordance with financial regulations. I have verified the March reconciliation and am under no doubt regulations are properly followed in respect of reconciling the bank.

I have reviewed the reconciliation there were no outstanding payments and no outstanding lodgements.

The council has two bank accounts, with total holdings of £279,036. The movement year on year in bank and cash balances of £4,029 is below the threshold to report on the list of significant variances.

Section Conclusion

I am of the opinion that bank and cash balances are properly shown on the AGAR and that the control objective of "Periodic and year-end bank account reconciliations were properly carried out.", has been met.

J. YEAR END ACCOUNTS (FINAL AUDIT)**Internal audit requirement**

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

The council, at its meeting to sign off the year-end accounts, must discuss the Annual Governance Statement and record this activity in the minutes of the meeting. Based on the internal audit finding, I recommend using the table below as the basis for that discussion. THIS MUST BE A SEPARATE AGENDA ITEM TO THE SIGNING OF THE ANNUAL ACCOUNTS.

Section 1 – Annual Governance Statement

	Annual Governance Statement	'Yes' means that this authority	Suggested response based on evidence
1	We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>	YES – income & expenditure accounts follow latest Accounts and Audit Regulations and practitioners guide recommendations.
2	We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>	YES – there is regular reporting of financial transactions and accounting summaries, offering the opportunity for scrutiny.
3	We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.	<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>	YES – the Clerk is experienced and advises the council in respect of its legal powers.
4	We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>	YES – the requirements and timescales for 2020/21 year-end were followed.
5	We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>	YES – the council has a risk management scheme and appropriate external insurance.
6	We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>	YES – the council has appointed an independent and competent internal auditor has completed two audits during the year.
7	We took appropriate action on all matters raised in reports from internal and external audit.	<i>responded to matters brought to its attention by internal and external audit.</i>	YES – where matters are raised, action taken by council is recorded in the minutes.
8	We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and. Where appropriate, have included them in the accounting statements.	<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>	YES – no matters were raised during the internal audit visits.
9	Trust funds including charitable – In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/asset(s), including financial reporting and, if required, independent examination or audit.	<i>has met all of its responsibilities where, as a body corporate, it is a sole managing trustee of a local trust or trusts.</i>	N/A – the council has no trusts

Section 2 – Accounting Statements

Agar Box Number		2020/21	2021/22	Auditor Notes
1	Balances brought forward	326,119	287,183	Agrees to cfwd
2	Precept or Rates and Levies	240,577	245,390	Agrees to third party evidence provided to auditor
3	Total other receipts	135,643	102,290	Agrees to underlying records – adjustments made for reallocation of income and expenditure to report gross
4	Staff costs	99,221	97,945	Agrees to underlying records
5	Loan interest/capital repayments	16,648	16,649	Agreed to PWLB
6	All other Payments	299,287	238,958	Agrees to underlying records – adjustments made for reallocation of income and expenditure to report gross
7	Balances carried forward	287,183	281,311	Casts correctly agrees to balance sheet

8	Total value of cash and short term investments	283,065	279,036	Agrees to reconciliation
9	Total fixed assets plus long term investments and assets	1,803,113	1,807,012	Agrees to register and additions
10	Total borrowings	141,777	131,734	Agreed to statement

11	For Local Councils Only) Disclosure note re Trust funds (including charitable)	YES	NO	N/A	
				✓	

The year-end accounts have been correctly prepared on the income & expenditure basis with the box 7 & 8 reconciliation, properly carried out.

The AGAR correctly casts and cross casts and the comparatives have been correctly copied over from the prior year.

The variance analysis is required because there are variances greater than 15% and £500. This has been correctly prepared on a tabular basis with narrative.

Section Conclusion

I am of the opinion the control objective of “Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.”, has been met.

K. LIMITED ASSURANCE REVIEW (INTERIM AUDIT)**Internal audit requirement**

If the authority certified itself as exempt from a limited assurance review in 2020/21, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2020/21 AGAR tick “not covered”)

The council did not declare itself exempt in 2020/21 or 2021/22

L: TRANSPARENCY (INTERIM & FINAL AUDIT)**Internal audit requirement**

The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.

The council is required to follow the requirements of the Local Government Transparency Code 2015 because it has income and expenditure greater than £200,000. The code is a legal requirement and requires councils to publish the following data

On a quarterly basis

expenditure exceeding £500 (see paragraphs 28 and 29 of the code)	Since 2020 This is included within council minutes
Government Procurement Card transactions (paragraph 30), and	The council does not have this
procurement information (see paragraphs 31 and 32 of the code)	The council does not have this

On an annual basis

local authority land (see paragraphs 35 to 37 of the code)	This is on the register on the website however, pertains to the 2021 year end and needs updating
social housing assets (see paragraphs 38 to 41 of the code)	The council does not have this
grants to voluntary, community and social enterprise organisations (see paragraphs 42 and 43 of the code)	This could not be located on the website
trade union facility time (see paragraph 45 of the code)	The council does not have this
parking account (see paragraph 46 of the code)	The council does not have this
parking spaces (see paragraph 47 of the code)	The council does not have this
senior salaries (see paragraphs 48 and 49 of the code)	This is on the web site however is dated 01/04/2019
constitution (see paragraph 50 of the code)	This is on the website
pay multiple (see paragraphs 51 and 52 of the code), and	This is on the web site however is dated 01/04/2020
fraud (see paragraph 53 of the code).	This could not be located on the website

On the whole the council is following the requirements of the code, but the website does need to be updated.

Section Conclusion

I am of the opinion that the control assertion of *“The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements:”* has been met.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS (INTERIM & FINAL AUDIT)**Internal audit requirement**

The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 require that the statement of accounts prepared by the authority (i.e. the Annual Governance & Accountability Return (AGAR) Part 2), the accounting records for the financial year to which the audit relates and all books, deeds, contracts, bills, vouchers, receipts and other documents relating to those records must be made available for inspection by any person interested, during a period of 30 working days set by the smaller authority and including the first 10 working days of July.

Inspection - Key date	2020/21 Actual	2021/22 Proposed
Date Inspection Notice Issued and how published	27 th May 2021	1 June
Inspection period begins	2 nd June	6 June
Inspection period ends	3 rd June	15 July
Correct length	14 th July	yes
Common period included?	yes	yes
Summary of rights document on website?	Attached to inspection announcement	Attached to inspection announcement

Section Conclusion

I am of the opinion that the control assertion of *“The authority, during the previous year (2020-21) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set:”* has been met.

N. PUBLICATION REQUIREMENTS (INTERIM AUDIT)

Internal audit requirement

The authority has complied with the publication requirements for 2020/21 AGAR.

O. TRUSTEESHIP (INTERIM AUDIT)

Internal audit requirement

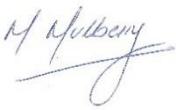
Trust funds (including charitable) – The council met its responsibilities as a trustee.

The council does not have any trusts.

Should you have any queries please do not hesitate to contact me.

Kind regards

Yours sincerely



Mark Mulberry

2022 Interim Audit - Points Forward

Audit Point	Audit Findings	Council comments
Transparency code	The web site needs to be updated with the 2021 requirements.	